

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 NRC-05 /130 W
-----012859 281451Z /46

P 281356Z MAR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 1728

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E.O. 11652: N/A
TAGS: ENRG, EINV, VE
SUBJ: OIL COMPANY PROBLEMS: OFFICIAL PUBLICATION OF ASSET
DEDUCTIONS

REF: CARACAS 2152

BEGIN UNCLASSIFIED

1. IN A SPECIAL EDITION OF THE OFFICIAL GAZETTE (NO.2185) DATED MARCH 8 BUT NOT RELEASED UNTIL MARCH 22, THE MINISTRY OF ENERGY AND MINES ISSUED 38 SEPARATE BUT SIMILARLY WORDED RESOLUTIONS SETTING FORTH THE AMOUNTS DETERMINED TO BE NECESSARY TO RESTORE OR REPLACE THE NATIONALIZED ASSETS OF THE PETROLEUM EX-CONCESSIONAIRE AND EX-PARTICIPATING COMPANIES. A RESOLUTION WAS PUBLISHED FOR EACH COMPANY EXCEPT PETROLERA LAS MERCEDES, ONE OF THREE SMALL PRIVATE VENEZUELAN OWNED COMPANIES WHICH WERE ALSO NATIONALIZED IN 1975. THERE WAS NO EXPLANATION GIVEN FOR THIS SINGLE OMISSION. THESE RESOLUTIONS, EACH DATED FEBRUARY 16, STAT THAT THE CENTRAL BANK WILL DEDUCT THE INDICATED AMOUNT FROM THE DEPOSIT MADE BY THE COMPANY IN QUESTION TO THE GUARANTEE FUND AND WILL DESPOSIT THIS AMOUNT IN THE NATIONAL TREASURY. THE RESOLUTIONS GO ON TO SAY THAT THE MINISTRY WILL, IF NECESSARY, EFFECT ADDITIONAL

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DEDUCTIONS FROM THE FUND FOR OTHER ITEMS (E.G. PENDING TAX CLAIMS) THROUGH THE ISSUANCE OF SEPARATE ACTIONS, AND WILL ALSO PREPARE MEASURED FOR THE RELEASE OF THE FUND ONCE THE OBLIGATIONS IT IS INTENDED TO GUARANTEE ARE SATISFIED. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. WITH THE PUBLICATION OF THESE RESOLUTIONS, THE MINISTRY HAS COMPLIED WITH ITS RESPONSIBILITIES

UNDER THE NATIONALIZATION AND REVERSION LAWS TO INVENTORY AND INSPECT THE NATIONALIZED ASSETS AND APPARENTLY HAS CLOSED ITS BOOKS ON THIS ASPECT OF THE COMPANIES' POST-NATIONALIZATION PROBLEMS. THE PUBLISHED RESOLUTIONS PROVIDE NO DETAILS AS TO HOW THE AMOUNTS OF THE DEDUCTIONS WERE DETERMINED AND DO NOT REFER TO THE ACTAS PRESENTED TO EACH COMPANY OR TO THE FACT THAT SOME COMPANIES DID NOT ACCEPT THESE ACTAS. THE WORDING OF THE RESOLUTIONS WITH RESPECT TO THE EVENTUAL RELEASE OF THE MONIES REMAINING IN THE FUND APPEARS TO LEAVE OPEN THE POSSIBILITY THAT THESE MONIES CAN BE RELEASED ONCE THE OTHER OBLIGATIONS ARE SATISFIED, BUT NOT NECESSARILY FULLY RESOLVED, E.G. PENDING TAX CLAIMS MAY BE CONSIDERED "SATISFIED" IF COVERED BY BONDS.

3. THE TOTAL AMOUNT OF THE DEDUCTIONS, AS GIVEN IN THE GAZETTE, IS 576 MILLION BOLIVARES (\$135 MILLION) WHICH REPRESENTS 13 PERCENT OF THE \$1.01 BILLION TOTAL COMPENSATION GRANTED FOR THE NATIONALIZED ASSETS AND 24 PERCENT OF TOTAL DEPOSITS IN THE GUARANTEE FUND. DEDUCTIONS AGAINST MAJOR INDIVIDUAL COMPANIES, IN MILLIONS OF BOLIVARES (4.28 BOLIVARES EQUALS 1 DOLLAR US) AND AS A PERCENTAGE OF THAT COMPANY'S COMPENSATION, ARE AS FOLLOWS:

COMPANY/DEDUCTIONS	MILLIONS OF BOLIVARES	PERCENT OF COMPENSATION
AMOCO	3.6	7
CHEVRON	14.8	29
CREOLE(EXXON)	152.6	8
INTER. PETROLEUM(EXXON)	28.3	18
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MENE GRANDE(GULF,EXXON,SHELL)	56.7	20
MITO JUAN(VENEZUELAN COMPANY)	2.6	18
MOBIL	19.3	20
PHILLIPS	14.9	18
SHELL(ROYAL DUTCH)	158.6	15
SINCLAIR(ARCO)	16.2	60
TALON(VENEZUELAN COMPANY)	2.4	29
TEXACO MARACAIBO	24.9	19
TEXAS PETROLEUM(TEXACO)	27.9	67
VARCO(ARCO)	7.9	11
VENEZUELA GULF(GULF, TEXACO)	9.2	39
VENEZUELA SUN	10.4	9

4. AS ANTICIPATED, THERE ARE WIDE VARIATIONS WITHIN THIS GROUP, WITH THE DEDUCTIONS AGAINST SINCLAIR (ARCO) AND TEXAS PETROLEUM (TEXACO) ABOVE THE AVERAGE. IN BOTH CASES, HOWEVER, THE FINAL CHARGES APPEAR TO BE WELL BELOW THE LEVEL OF CLAIMS WHICH WERE INITIALLY RECOMMENDED BY THE FIELD INSPECTORS. ALSO, IN BOTH CASES, ANOTHER EX-CONCESSIONAIRE CONTROLLED BY THE SAME PARENT COMPANY FARED SUBSTANTIALLY BETTER. THUS, THE COMBINED DEDUCTIONS AGAINST THE TWO ARCO SUBSIDIARIES, SINCLAIR AND VARCO, REPRESENTED ABOUT 24 PERCENT OF THEIR COMBINED COM-

PENSATION, WHILE THE COMBINED CHARGES AGAINST TEXACO'S TWO MAJOR LOCAL SUBSIDIARIES, TEXAS TEPTROLEUM AND TEXACO MARACAIBO, GIVE A COMBINED DEDUCTION OF 31 PERCENT. IT SHOULD ALSO BE NOTED THAT BECAUSE A NUMBER OF THE MULTINATIONALS LISTED ABOVE ALSO HAVE PART INTERESTS IN OTHER PROPERTIES, OR HAVE OTHER SMALLER HOLDINGS, THE PERCENTAGES SHOWN ABOVE MAY NOT AGREE WITH THOSE QUOTED BY THE PARENT COMPANY, AS THE LATTER MAY REFER EITHER TO A SPECIFIC VENEZUELAN SUBSIDIARY OR TO THE PARENT'S TOTAL INVOLVEMENT IN VENEZUELA.

5. A MORE DETAILED ANALYSIS OF THE DEDUCTIONS AND COPIES OF THE GAZETTE WILL BE SUBMITTED BY AIRGRAM.
VAKY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PUBLICATIONS, ASSETS, NATIONALIZATION
Control Number: n/a
Copy: SINGLE
Draft Date: 28 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CARACA02890
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780134-0740
Format: TEL
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780320/aaaaaqex.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 565781bc-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CARACAS 2152
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3189274
Secure: OPEN
Status: NATIVE
Subject: OIL COMPANY PROBLEMS: OFFICIAL PUBLICATION OF ASSET DEDUCTIONS
TAGS: ENRG, EINV, VE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/565781bc-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014